

Egdon Resources

Analysis update

Positive results from Springs Road core analysis

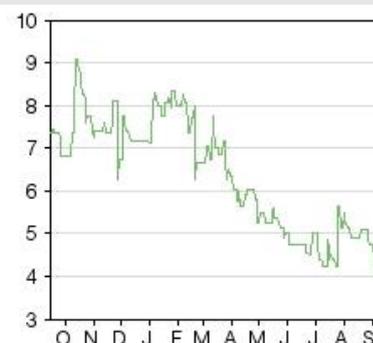
Oil & gas

13 September 2019

Price **5.0p**
Market cap **£15m**

Net cash (£m) at end January 2019	1.8
Shares in issue	303.3m
Free float	55%
Code	EDR
Primary exchange	AIM
Secondary exchange	N/A

Share price performance



Business description

Egdon Resources is an AIM-listed onshore oil and gas exploration company. The group has conventional and unconventional assets in the UK.

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Egdon Resources and IGas Energy provided further details on the results from the Springs Road-1 core analysis. The analysis suggests that key characteristics of the Bowland Shale in the Springs Road-1 well compare to commercial shale operations in North America. The core results indicate a mature, organic content-rich source rock with good porosity confirming favourable gas resource density. The low clay content in the Lower Bowland Shale at c 22% is encouraging and an indication that hydraulic fracturing of the rock should be effective. Partners are encouraged by the results from Springs Road-1, particularly by the combined Bowland shale gas in place of 640bcf/square mile – the resource density – over three times previous external estimates. The joint venture will continue working on the basin model to better delineate the resource potential and refine the appraisal programme. Design and planning work for Springs Road-2 is now underway.

Year-end	Revenue (£m)	PBT* (£m)	EPS* (p)	EBITDA (£m)	Net cash/ (debt) (£m)	Cash flow from operations (£m)
07/17	1.0	(2.2)	(0.7)	(1.2)	6.1	(0.4)
07/18	0.8	(1.7)	(0.8)	(2.2)	2.8	(1.6)
07/19e	2.2	(2.1)	(0.2)	(0.5)	0.6	(0.3)
07/20e	2.7	(1.8)	(0.8)	0.1	(0.4)	0.6

Note: *PBT and EPS are normalised, excluding amortisation of acquired intangibles and share-based payments.

Analysis indicates the Lower Bowland shale at Springs Road-1 has a total organic content of an average 2.5% (ranging from 0–6.6%), consistent with the averages of the top 10 US shales, which range from 2.5% to 6.5%. Maturity at an average 1.29% puts Springs Road-1 Lower Bowland shale in the wet gas window. Matrix porosity of an average 3% (range 1–9%) is comparable to US analogue shales, which typically range from 3.5% to 6.5%. The updated analysis of Springs Road-1 indicated the Lower Bowland Shale contains a low clay content at c 22%. The Upper Bowland clay content was observed at c 43%, above the 40% estimated limit for effective fracture stimulation. In combination with the natural fracturing observed in the core samples, these positive results are encouraging. However, commerciality cannot be determined ahead of any flow test.

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